



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Haiti	LATIN AMERICA AND CARIBBEAN	P173743	
Project Name	Private Sector Jobs and Economic Transformation (PSJET)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	10/12/2020	2/2/2021
Borrower(s)	Implementing Agency(ies)		
	Ministry of the Economy and Finance		

Proposed Development Objective

Support labor demand by strengthening micro, small and medium enterprises (MSMEs) resilience through capital-centric interventions

Financing (in USD Million)	Amount
Total Project Cost	75.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project’s primary beneficiaries are MSMEs. The impact of the project on jobs (both directly and indirectly) will be discussed as part of the economic analysis and will be assessed as part of the mid-term review and Implementation Completion Report (ICR) of the project. This will be done by leveraging the tools being developed by the newly established World Bank Jobs and Economic Transformation (JET) working group.



D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will support MSMEs through Business Development Services (BDS), grants for investments and working capital and an increase in the supply of credit. The project will place emphasis on supporting women entrepreneurship (BDS in component 1).

The World Bank’s Environmental and Social Framework (ESF) applies to activities supported under the project -- including grants to MSMEs for investment and working capital and the supply of credit. The investments undertaken by firms through the grants and lines of credit will entail environmental and social risks similar to those traditionally associated with small physical works, which may be compounded in the Haitian context. Activities requiring physical or economic displacement will be excluded from project financing.

This project is taking place within a context of considerable socio-political unrest which have the potential to elevate environmental and social risks. For the last two years the country has been experiencing intense periods of political violence that has resulted in temporary closures of businesses, schools, and public services – the “peyi lock”. The interruption to economic activity has been compounded by the COVID-19 lockdown. The proposed project seeks in part to reinvigorate the private sector which has suffered during consecutive periods of lockdown. Given the fragile political economy and continued socio-political pressures (high and rising inflation, increasing food scarcity, gang violence), it is foreseeable that there may be spillover effects that could elevate the environmental and social risk profile of the project.

D. 2. Borrower’s Institutional Capacity

The precise implementation arrangements are to be further detailed during project preparation. For the moment, it appears that the most likely project implementation unit (PIU) will be the Project Coordination Unit (UCP) under the Ministry of Economy and Finance (MDF). MEF-UCP is likely capable of preparing and supervising environmental and social impacts, the PIU has experience in implementing the BDI project under the Bank’s safeguards policies. During preparation, the World Bank environmental and social specialists in liaison with the project Team Leads, will discuss with MEF-UCP – or the eventual PIU selected to implement the project – to assess PIU capacity, determine team structure and deployment, and identify what additional resources, skill sets or capacities will need to be strengthened. These will be presented in the Appraisal ESRS.

The proposed operation will support the establishment and expansion of second-tier lending operations to serve MSMEs (2nd tier meaning a credit line to Participating Financial Intermediaries (PFIs) for on-Lending to MSMEs). Therefore, the financial wholesaler institution would need to develop an Environmental and Social Management System to operate its second-tier to ensure that PFIs and beneficiary MSMEs comply with the E&S provisions set forth in the Loan Agreement.

The limited institutional capacity of the wholesaler and PFIs are expected to be mitigated by working with a private manager as the institutional and governance structure of the wholesaler and PFIs are being built under component 2. The limited institutional capacity of the wholesaler to implement a robust environmental and social management system (ESMS) to monitor sub-projects to comply with the Bank’s Environmental and Social Framework (ESF) is a key risk of the project. The project will support the wholesaler to strengthen its institutional capacity and have a social and environmental management system and standards for second-tier lending operations for MSMEs commensurate with the nature and magnitude of environmental and social risks and impacts of FI subprojects.



II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The proposed environmental risk classification is assessed as Moderate at this stage. The majority of activities under Component 1 (direct matching grants) and Component 2 (financial intermediary investments) are likely to imply low-to moderate environmental risk and be highly localized (within existing MSME footprints, for example). Factors that may elevate this risk include the large geographical scope of the project, the fact that this is the first project applying ESS9 in Haiti, coupled with potential implementation challenges resulting from the socio-political context. As such, environmental risk is assessed as Moderate. This classification be reevaluated and presented in the Appraisal ESRS. Generally, any risks and impacts arising from investments financed under both components are likely to be: (i) predictable, temporary, and/or reversible; (ii) low in magnitude; (iii) site-specific; and (iv) unlikely to result in serious adverse effects to human health and/or the environment. The FI subprojects will be governed by the ESMS, commensurate with the magnitude of risks presented, and FIs will comply with any exclusions in the legal agreement. These exclusions are yet to be determined, although will in any event cover any activity likely to result in significant risks or impact on the environment or local communities where FI investments take place. Ultimately, only low and/or moderate risk investments will be financed.

Social Risk Rating

Moderate

The proposed social risk classification is Moderate at this stage considering the nature and magnitude of the potential social risks and impacts of subprojects. Key activities proposed under the Project will include the provision of grants and loans targeting Micro, Small & Medium Enterprises (MSMEs). Although subprojects of the MSMEs are not pre-identified, their impacts and risks are expected to be moderate given the magnitude of the subprojects and the restrictions described under ESS1. Key potential risks include: (i) challenging socio-political environment and COVID 19-related conditions that may hamper effective and consistent stakeholder engagement, (ii) risk of not reaching out to women led enterprises as intended or enterprises led by people with reduced mobility/disabilities and (iii) labor risks including occupational health and safety and sexual exploitation and abuse/sexual harassment. An ESMS will be established by the wholesaler to cover the financial instruments. To mitigate social risks, eligibility criteria for matching grant and FI subprojects will include E&S considerations as well as the implementation of a Grievance-Redress Mechanism (GRM). Activities triggering involuntary resettlement will be excluded from project supported activities.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Environmental and Social risks and impacts are currently assessed as Moderate for the reasons outlined above. Under Component 1, grants will be provided to MSMEs to support their ability to weather the current COVID crisis and retain and/or hire labor. Grants may also be used to finance small investments. To manage any potential environmental and social risks that may result from grant-making activities, an Environmental and Social



Management Framework (ESMF) will be developed. The ESMF will identify potential positive and negative impacts and outline mitigation measures to be followed. It will also include a “negative list” that will present ineligible expenditures for grant resources, e.g. non-approved pesticides for small-holder farmers. The negative list will form part of the legal agreement with the private fund manager likely to be hired to manage the grant-making process. The ESMF will also present management and mitigation measures for other potential risks that have been identified as set out in more detail below, including to labor, pollution management, community health and safety, inclusion of disadvantaged and vulnerable groups, GBV, as well as sanitary measures to reduce COVID-19 contagion risk while the pandemic persists. The ESMF will also contain an annex outlining measures to manage potential risks and impacts in line with the World Bank CERC Guidance Note from October 2017, should the contingent emergency response (Component 4) be activated. For Component 2, as noted above, the financial intermediary sub-components of the project will be governed by an ESMS, proportionate to the nature of the FI and the level of potential environmental and social risks. The project legal agreement will include exclusions on the types of expenditures that FI subprojects can finance, including any activities triggering involuntary resettlement or likely to present significant risks to the environment, to communities, to workers, or to Haiti’s cultural heritage, as evaluated through the eventual E&S risk screening process central to the ESMS (where all FI subprojects will be screened, reviewed and categorized according to their potential environmental and social risks and impacts in line with the requirements of ESS9). As set out in Seciton III below, the above instruments will be prepared under the following timeline: draft ESMF (including LMP), Stakeholder Engagement Plan (SEP), and Environmental and Social Commitment Plan (ESCP) will be prepared, consulted, and disclosed prior to Appraisal, and finalized by project Negotiations, at the latest. The ESMS for Component 2 be finalized as soon as possible once fund management modalities are fully in place, and in any case before any FI-investments are considered.

Areas where “Use of Borrower Framework” is being considered:

Not considered

ESS10 Stakeholder Engagement and Information Disclosure

The COVID-19 pandemic poses a challenge for stakeholder engagement and disclosure of information, as stakeholder engagement and consultation processes cannot be conducted as per normal ESS10 requirements. As long as COVID-related restrictions place limitations on traditional forms of stakeholder engagement, the requirements of ESS10 will be met by following guidance set out in the World Bank’s “Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings” (March 20, 2020) as well as emerging experiences from other WBG projects in Haiti operating under COVID conditions (e.g. CHUD, MDUR).

The PIU will prepare, disclose, and consult as soon as possible and prior to appraisal, a Stakeholder Engagement Plan (SEP), which will (i) describe the project stakeholders, making a distinction between those directly affected by the project and other interested parties; (ii) describe the timing and methods of engagement with key stakeholders throughout the life cycle of the project, including engagement activities before project appraisal, as well as local-level consultations once the locations of infrastructure interventions is known; (iii) describe the type of information that will be provided to stakeholders and how feedback from stakeholders will be solicited and recorded, (iv) if necessary, include differentiated measures to remove obstacles to participation as well as allow the effective participation of those identified as disadvantaged or vulnerable, and (v) describe the project-level Grievance Mechanism to be developed by the borrower per the requirements of ESS10. The GRM will build on existing mechanisms that have



been developed for other Bank funded projects in Haiti and managed by the PIU. This will be discussed in detail with the client during project preparation with all details included in the SEP and more fully outlined in the appraisal stage ESRS. A specific Grievance Mechanism for project workers under ESS2 will also be established separately from the overall project GRM.

Project documents, including environmental and social risk management instruments and the ESCP, will be timely disclosed to ensure meaningful and informed engagement with all project stakeholders. Engagement with stakeholders will continue throughout project implementation. As noted above under ESS1 and below in Section III, the timeline envisioned is for the SEP to be prepared, consulted, and disclosed prior to Appraisal, and finalized at the latest by project Negotiations.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. For component 1, the environmental and social assessment process will include an analysis of (i) labor and working conditions (LWC) and (ii) of occupational health and safety (OHS). LWC analysis will include potential issues related to child and forced labor or lack of equal opportunities for female employees. With regard to OHS, in order to ensure health and safety of workers in construction, the PIU will develop and implement a Health, Safety and Environmental (HSE) plan in line with World Bank Group Environment, Health and Safety (EHS) Guidelines. The plan will outline mitigation measures for known risks and impacts arising from the current COVID-19 pandemic, presenting measures based on established international good practice (provisions included will draw on the WB guidance on “COVID-19 Considerations in Construction/Civil Works Projects” and World Health Organization (WHO) guidelines). The plan will also include procedures on incident recording, reporting, and investigation, reporting of non-conformance, emergency preparedness and response procedures, and continuous training and awareness raising for workers. The HSE plan will be included in the ESMF. To manage workers in accordance with the requirements of ESS2, the PIU will develop Labor Management Procedures (LMP), keeping in mind the following groups: (i) direct workers; (ii) contracted workers; (iii) primary supply workers.

Certain ESS2 provisions (paras. 17-20 and 24-30) are applicable to the government civil servants that may be involved in the project implementation and oversight. Civil servants working in connection with the project full-time or part-time will remain subject to the terms and conditions of their existing public sector employment or agreement unless there has been an effective legal transfer of their employment or engagement in the project. The LMP will define measures to avoid discrimination and grant equal opportunities. A Grievance Redress Mechanism (GRM) will be available for all project workers on all project-related matters, including terms and conditions of employment; non-discrimination and equal opportunity; workers’ organizations; child labor; forced labor; occupational health and safety, harassment and other behavioral complaints. The ESMF will include labor-related clauses and preventive health measures, which will be a required part of all contracts, and will include industry standard Codes of Conduct that contain measures to prevent gender-based violence (GBV) and are informed by the World Bank’s good practice notes on “Non-discrimination and disability” and “Non-discrimination: Sexual Orientation and Gender Identity (SOGI)”.



For component 2, which supports an FI activity, ESS2 applies to the responsible FI itself as well as to the second tier PFIs. Labor Management Procedures (LMP) will be developed by the the wholesaler and the criteria to be included into the ESMS for the second tier PFIs in accordance with national legislation and requirements under ESS2 and ESS9. The LMP will be an integral part of the wholesaler and each PFI’s ESMS that will be prepared to comply with ESS2 and ESS9 requirements for first and second-tier lending operations. The LMP will focus on labor procedures for the PIU and the wholesaler’s staff and will develop labor criteria to be included into the ESMS that will be prepared for second-tier lending operations. In terms of risk associated with sexual exploitation and abuse and sexual harassment (SEA/SH), the ESMS will include a code of conduct that includes language related to SEA/SH in the institution. For the second-tier lending, the project will include SEA/SH and nondiscrimination requirements in the 2nd tier provisions of the LMP and will rely on monitoring, supervision and spot checks to assess associated risks as well as the GRM.

The LMP will include information on relevant Haitian law, rules, and regulations related to ESS2, and where gaps are identified, complement them with measures in the LMP consistent with ESS2. The wholesaler should provide adequate information with documented evidence of the application of such procedures during project implementation. The LMP will include the design and implementation of a labor grievance redress mechanism (GRM) to be developed by the wholesaler as well as by each PFI for their workers. These GRMs are separate from that described under the ESS10 for works and activities carried out by sub-borrowers or contractors on subprojects. Details of this “Labor” GRM will be included in the ESMSs for each of the 2nd tier FIs.

At this stage of the project, subprojects of the MSMEs are not yet identified. However, given that some subprojects funded by grants and credit may require labor due to construction or civil works, the project ESMF and the wholesaler’s ESMS needs to address labor risks, for example forced and child labor and Occupational Health and Safety (OHS), and ensure that sub-projects and sub-clients will adopt and monitor labor management procedures consistent with local laws and ESS2. Labor influx and related risks are not expected.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant. Project financed activities – either through grants or through FI investments – have the potential to stimulate economic activity that may generate air, water, or land pollution or result in the consumption of finite resources. These risks and any associated impacts are likely to be low- to moderate and highly localized. To reduce the likelihood of any negative impact, the ESMF will present technically and financially feasible measures to improve efficient energy, water, and raw material consumption. Where grant proceeds will be used to buy goods or to finance warehouse construction or rehabilitation, the ESMF will prioritize energy- and water-efficient equipment, where feasible. Increased economic activity is also likely to result in waste generation and the ESMF will outline waste management protocols for the safe storage, removal and disposal of waste. The waste management plan will also address measures for the secure disposal of any personal protective equipment (PPE) for protection against COVID procured under the project, in line with good international practice. For the FI-investments, the ESMS will include procedures related to ESS3 to require that all subprojects are assessed, prepared and implemented to meet national law in relation to resource efficiency and pollution control.



ESS4 Community Health and Safety

This standard is relevant. Given that the Project will finance grants and loans to MSMEs for productive purposes, meaning working capital or investments that will help firms to run their businesses, improve their production process, improve business management, create or improve their products, the most important community health and safety potential risks could be related to temporary construction such as dust, noise, disposal of hazardous and non-hazardous wastes, safe operation of vehicles etc. Labor influx and related risks are not expected.

For subprojects to be financed under the matching grants (Component 1), the project’s ESMF will address sub-project activities that may pose community health and safety risks and identify mitigation measures to be applied through ESMPs where applicable. For subprojects to be financed by the financial wholesaler (Component 2), the wholesaler’s ESMS will assess sub-project activities that may pose community health and safety risks. The ESMS will include provisions to consider ESS4 requirements in the screening of all FI-Subprojects to exclude activities that could involve significant risks to community health and safety.

Security risks and impacts that would require the use of security forces are not anticipated. This will be assessed in more depth during project preparation.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. Land acquisition will be part of the negative list that will be developed as part of the project. In addition, the project won’t support any sub-projects that require expropriation of land under Haitian expropriation law. The legal agreement for FI subprojects will exclude any investment requiring involuntary resettlement. Any subproject including a footprint expansion will be screened to verify that it does not include physical or economic displacement, restriction of access, or any ESS5 related adverse impacts, and projects with such impacts will be screened out. The ESMF will include a screening form that will also cover ESS5 related questions, specifically to exclude activities that affect people (physically or economically) including the acquisition of unoccupied or unutilized land, whether or not the landholder relies upon such land for income or livelihood purposes.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This ESS is not currently relevant. Grant-making activities and FI investments are expected to flow to existing MSMEs with existing operational footprints. No land acquisition is foreseen (and will be explicitly excluded as an eligible FI expenditure in the legal agreement). As such, construction or rehabilitation works, likely to be minimal if at all, will not take place within contexts where they could potentially affect biodiversity, natural habitats, or living natural resources, either positively or negatively. This will be assessed more fully during project preparation, in particular with regard to any potential grant- or FI-investments that could flow to agriculture or horticulture MSMEs in areas near protected areas or other key biodiversity hotspots. Should it be assessed as relevant, it will be categorized as such in the Appraisal ESRS with any necessary management and mitigation measures presented in the ESMF.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities



This standard is not relevant. There are no Indigenous Peoples in Haiti that fulfill the four characteristics indicated under ESS7.

ESS8 Cultural Heritage

This standard is relevant. While works to be financed under project activities are expected (a) to be minimal and (b) to take place within existing operational footprints, they nonetheless may potentially involve minor civil constructions and/or excavations that could in turn potentially impact tangible or intangible cultural properties. To manage these risks, Chance Find procedures will be set out as a precaution in the ESMF and ESMS and applicable to any grant financing or FI-investment that is directed at small-scale construction or rehabilitation activities.

ESS9 Financial Intermediaries

The project aims at supporting the wholesaler financial institution to establish and expand second-tier lending operations to serve MSMEs through PFIs. The wholesaler will assume the credit risk of the PFIs, while the latter will take on their books the credit risk of the MSMEs. As such the wholesaler is required under this operation to monitor and manage the environmental and social risks and impacts of the 2nd tier FI Subprojects through an ESMS.

Under the proposed operation, the wholesaler will be required to develop, implement, and maintain an ESMS consistent with the requirements set out in ESS9 and proportionate to the 2nd tier FI subproject risks. The ESMS as defined in ESS9 should include: (a) E&S policy, (b) clearly defined E&S procedures and capacity to screen projects (application of exclusion list, review of industry sector and technical aspects of the project) and conduct due diligence to evaluate E&S risk and assign risk category (low, medium and high risk), (c) systems/processes for due diligence to evaluate, monitor, review and manage E&S risks and impacts of subprojects (evaluate the E&S performance of on-going subprojects and the portfolio on a periodic basis), (d) organizational capacity and competence including a budget and a senior management position designated for reporting on the ESMS as well as providing training and capacity-building on ESMS procedures and performance; (e) external communications and reporting mechanisms on E&S performance.

The ESMS will be drafted by the fund manager, whose selection is expected to take place following project effectiveness and will be finalized as soon as possible once fund management modalities are fully in place. The ESMS will be finalized in any event before any FI-investments are considered. Terms setting out environmental and social clauses for the standard of care required of the fund manager, in line with the ESF, will be included in the terms of reference/call for proposals, which should be published prior to appraisal.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

Public Disclosure



III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

None

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

- (i) ESMF, including LMP (draft will be disclosed and undergo public consultation prior to Appraisal)
 - (ii) SEP (draft will be disclosed and undergo public consultation prior to Appraisal)
 - (iii) ESCP (draft will be disclosed and undergo public consultation prior to Appraisal)
- The ESMS will be finalized as soon as possible and in any case before any FI-investments are considered.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- (i) Periodic reporting on E&S
- (ii) Incident notification
- (iii) E&S staffing
- (iv) Grievance management
- (v) Establishing and operating FI ESMS

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

20-Nov-2020

IV. CONTACT POINTS

World Bank

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Borrower/Client/Recipient

Implementing Agency(ies)

Implementing Agency: Ministry of the Economy and Finance

Public Disclosure



V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Practice Manager (ENR/Social)	Maria Gonzalez de Asis Recommended on 14-Aug-2020 at 14:31:38 EDT
Safeguards Advisor ESSA	Marco Antonio Zambrano Chavez (SAESSA) Cleared on 19-Aug-2020 at 15:02:37 EDT